

Message Text

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ACTION SS-30

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O 141544Z SEP 74

FM AMEMBASSY GEORGETOWN

TO SECSTATE WASHDC NIACT IMMEDIATE 301

C O N F I D E N T I A L GEORGETOWN 1647

EXDIS

E.O. 11652: GDS

TAGS: EINV, EMIN, GY

SUBJECT: REYNOLDS

DEPARTMENT PASS OPIC

1. SUMMARY. REYNOLDS STATED ITS DOLS 24.5 MILLION COMPENSATION FIGURE AT ONE-HOUR SEPTEMBER 13 MEETING WITH MINMINES JACK. MINISTER EVIDENCED NO PARTICULAR REACTION TO FIGURE, BUT NEITHER DID HE APPEAR READY TO PROCEED WITH STRAIGHTFORWARD NEGOTIATION OF NATIONALIZATION COMPENSATION. JACK'S REFERENCES TO LEVY, NEW LEGISLATION AND TIMING OF FUTURE TALKS LEFT REYNOLDS TEAM CONFUSED. END SUMMARY.

2. REYNOLDS TEAM REPORTS SEPTEMBER 13 MEETING ANOTHER IN LOW-KEY AND FRIENDLY PATTERN. ATTORNEY-GENERAL SHAHABUDDEEN DID NOT ATTEND. (FOREIGN MINISTER LATER ADVISED AMBASSADOR THAT BUSINESS IN TRINIDAD REQUIRED AG'S ABSENCE.)

3. ROBERTS DELIVERED COPY OF SEPTEMBER 12 STATEMENT WITH SHORT COVERING LETTER. HE SAID REYNOLDS CLAIM WOULD BE BASED ON REPLACEMENT COST LESS DEPRECIATION AND THAT THEY EXPECT THIS FIGURE TO BE ABOUT DOLS 24.5 MILLION. JACK DID NOT REACT TO FIGURE BY WORD OR EXPRESSION. LATER IN TALKS HE COMMENTED THAT THERE CAN BE SEVERAL APPROACHES TO VALUATION PRODUCING VERY DIFFERENT FIGURES AND THAT HE EXPECTED THE GOVERNMENT AND REYNOLDS FIGURES TO BE FAR APART. HE DID NOT REFER TO A GOVT FIGURE. HE QUESTIONED WHETHER "PROMPT, ADEQUATE AND EFFECTIVE" IS
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CONSISTENT WITH THE NORM STATED IN THE GUYANA CONSTITUTION.

HE ASKED HOW THE REYNOLDS FIGURE COMPARED WITH A VALUATION BASED ON THE MULTIPLE OF EARNINGS APPROACH AND ROBERTS SAID HE THOUGHT MULTIPLE OF EARNINGS WOULD YIELD A HIGHER FIGURE IN THIS CASE.

4. WHEN JACK ASKED WHETHER "PROMPT" COMPENSATION MEANS CASH, ROBERTS AVOIDED GETTING INTO DISCUSSION OF COMPENSATION TERMS AND MERELY NOTED THAT REYNOLDS WOULD CLAIM ON A PRESENT VALUE OF MONEY BASIS.

5. JACK INDICATED THAT HE WANTS THE BAUXITE LEVY ISSUE SETTLED BEFORE DISPOSING OF THE MATTER OF COMPENSATION AND FIXING THE VESTING DAY FOR NATIONALIZATION. HE SAID THE INTERNATIONAL BAUXITE ASSOCIATION MEETING IN GEORGETOWN IS NOW SCHEDULED FOR NOVEMBER 11 AND THAT THIS SHOULD BE A TARGET DATE, ALTHOUGH LEAVING IT UNCLEAR AS TO JUST WHAT WAS TO BE ACCOMPLISHED BY THEN.

6. REYNOLDS TEAM SAID JACK INDICATED UNCERTAINTY AS TO NEXT STEPS. MATTER WILL BE ON SEPTEMBER 17 CABINET MEETING AGENDA. JACK SAID HE WOULD BE IN TOUCH WITH ROBERTS BY THE END OF THE COMING WEEK ON THE MATTER OF PRESS STATEMENTS. JACK INDICATED THAT IN THE EVENT THE PARTIES COULD NOT AGREE ON COMPENSATION, PRESS STATEMENTS TO THIS EFFECT WOULD ISSUE. REYNOLDS TEAM UNABLE TO EXPLAIN JACK'S APPARENT READINESS TO REPORT FAILURE OF NEGOTIATIONS BEFORE STARTING NEGOTIATIONS. THEY SEE AS ONE POSSIBILITY THAT JACK MAY HAVE REFERRED TO BREAKDOWN ON COMPENSATION WHEN HE SHOULD HAVE BEEN REFERRING TO FAILURE TO REACH AGREEMENT ON PARTICIPATION. OTHER SPECULATION IS THAT THE MINMINES REALLY BELIEVES THERE IS NOTHING LEFT TO NEGOTIATE NOW THAT REYNOLDS HAS STATED A CLAIM GREATLY IN EXCESS OF THE DEPRECIATED TAX BASIS APPROACH OF THE BAUXITE NATIONALIZATION LAW.

7. THE CONFUSION CONCERNING NEXT STEPS WAS COMPOUNDED WHEN DISCUSSION TURNED TO THE SCHEDULING OF FURTHER MEETINGS. JACK HAD REFERRED TO GETTING NEW LEGISLATION. WITHOUT CONSULTING ROBERTS, REYNOLDS LOCAL COUNSEL LUCKHOO CHECKED HIS CALENDAR AND SUGGESTED THAT MEETINGS BE SCHEDULED FOR LATTER PART OF OCTOBER. (OUR INITIAL UNDERSTANDING WAS THAT THIS SCHEDULE SUGGESTION WAS BASED ON LEGISLATIVE SCHEDULE, BUT WE LEARNED LATER IN EVENING THAT LUCKHOO HAS VACATION IN ENGLAND SCHEDULED FOR EARLY OCTOBER.)
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AMBASSADOR POINTED OUT TIME SQUEEZE CREATED IF TALKS DONT START IN EARNEST UNTIL LATE OCTOBER, AND NOTED THAT FOREIGN TRAVEL OF BURNHAM WILL PRECLUDE REAL DECISIONS BEING MADE WHILE HE IS AWAY IN LATE OCTOBER. AMBASSADOR URGED REYNOLDS PREPARE FOR EARLIER TALKS AND SAID HE WOULD USE HIS SEPTEMBER 16 C CPC MEETING WITH JACK TO CLARIFY SEQUENCE OF STEPS TO BE TAKEN AND URGE PROMPT INITIATION OF REAL COMPENSATION TALKS.

8. WE ASKED VIEWS OF REYNOLDS TEAM AS TO WHETHER IT WOULD BE HELPFUL FOR US TO CITE TO GOG THAT ONE OF THE BENEFITS TO GUYANA OF AN ORDERLY AND FAIR SETTLEMENT COULD BE HAVING REYNOLDS AS A CUSTOMER FOR METALURGICAL BAUXITE. ROBERTS CLEARLY INDICATED THAT THEY DID NOT WANT SUCH SALES ARRANGEMENTS TO BECOME A PART OF THESE NEGOTIATIONS, ALTHOUGH REYNOLDS DOES NOT RULE OUT SUCH PURCHASES FOLLOWING A SATISFACTORY SETTLEMENT. ROBERTS SAID HE HAS ALREADY LINED UP SUBSTITUTE BAUXITE (AND CLAIMS HE FOUND IT FAIRLY EASY TO COME BY).

9. JACK FURTHER CONFUSED FRIDAY MEETING BY AGAIN MAKING VAGUE REFERENCES TO PARTICIPATION THROUGH PARTIAL NATIONALIZATION WITH THE GOG NOT YET HAVING DECIDED WHETHER TO SEEK SUCH LEGISLATION.

10. AMBASSADOR GOT TO FONMIN RAMPHAL BY PHONE EARLY EVENING SEPTEMBER 13 TO REPORT TENOR OF AFTERNOON SESSION BETWEEN REYNOLDS AND JACK. AMBASSADOR EXPRESSED CONCERN OVER DEFERRING COMPENSATION NEGOTIATIONS UNTIL OCTOBER AND PARTICULARLY OVER IMPLICATION THAT SUCH TALKS WOULD BE CONDUCTED AFTER PUBLIC ACT OF NATIONALIZATION BY LEGISLATURE. HE REMINDED RAMPHAL THAT REYNOLDS HAD INDICATED FLEXIBILITY ON TYPE OF OFFICIAL COMMUNICATION OF GOG INTENT TO PROCEED WITH NATIONALIZATION AS ADEQUATE LEGAL "TRIGGER" TO BEGIN COMPENSATION TALKS AND AS EVIDENCE OF THEIR GOOD FAITH HAD GIVEN JACK A FORMULA AND PRELIMINARY FIGURE IN MEETING THAT AFTERNOON. RAMPHAL SAID HE SHARED CONCERN OVER DELAY AND CONFUSION REGARDING NEXT STEPS AND ADDED HE WOULD ATTEMPT TO CLARIFY PROCEDURES WITH PM BURNHAM AND JACK BEFORE HIS DEPARTURE FOR NEW YORK MORNING SEPTEMBER 14. (BURNHAM HOSTED DINNER FOR TANZANIA PRESIDENT NYERERE AT HIS COUNTRY RESIDENCE LAST NIGHT, WHICH RAMPHAL AND JACK PRESUMABLY ATTENDED. RAMPHAL WAS TO FLY TO JAMAICA THIS MORNING ON NYERERE'S CHARTERED BWIA JET.)

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